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OCTOBER 17, 1983

CHEMICAL & ENGINEERING

# NEWS

Pacific Rim chemicals market is promising but frustrating
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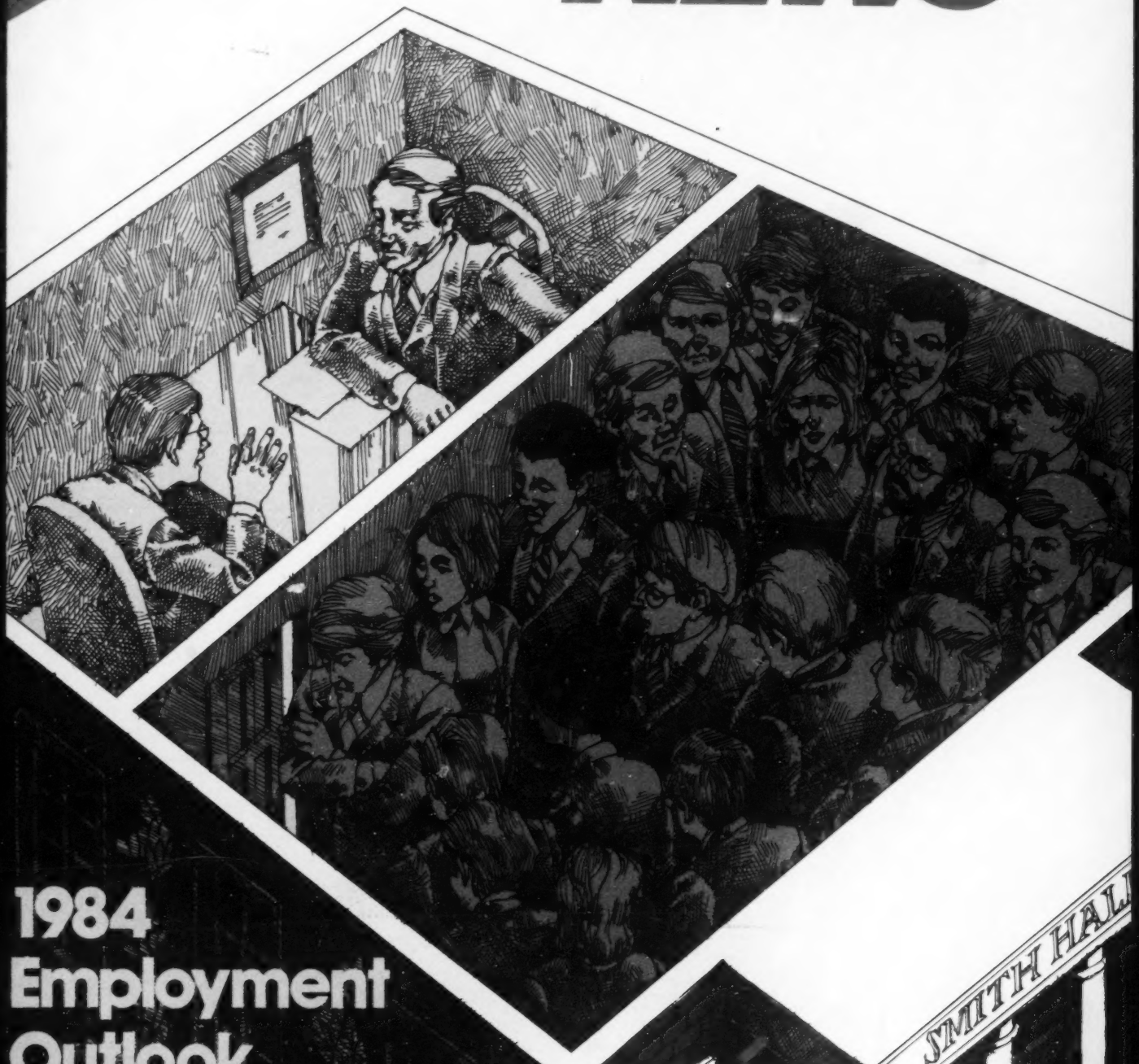


## 1984 Employment Outlook

Universities cope with slump in campus recruiting Page 35

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Cover: Drawing by John Heinly

CHEMICAL & ENGINEERING NEWS

Volume 61, Number 42
CENEAR 61 (42) 1–74
ISSN 0009-2347

OCTOBER 17, 1983

## News of the Week

■ **Chemical stocks have been outperforming record-setting Dow Jones industrials during the past few months.** **Page 6**

■ **MIT scientists duplicate important step in expression of genes.** **Page 7**

■ **Lapse of export law may lead President to invoke emergency powers act and spur Congress to rewrite the law.** **Page 7**

## Business

**Nations on the Pacific Rim** seem ripe for more U.S. chemical ties but, even though their economies are growing more rapidly than those of the West, they do pose risks for investors. **Page 9**

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**Both NSF and the White House OSTP suffer** from lack of personnel; failure to fill key posts may cause budget difficulties. **Page 15**

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**Oxidative methylation process,** developed in the U.S.S.R., could lead to $C_1$ process to make acrylonitrile. **Page 29**

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## 1984 Employment Outlook

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# STOCK MARKET RALLY: Chemicals outperform top indicators

In the past few months, while the Wall Street spotlight has been on the broad Dow Jones Industrial Average and the record highs that it keeps setting, chemical stocks have done even better. In fact, C&EN's chemical stock index has vastly outperformed the Dow Jones Industrial Average over the past year. It means that Wall Street rates chemical earnings very high for 1984.

In the past three months, chemical stocks as measured by C&EN's index have risen faster than any of the standard market indicators, more than doubling the pace of the Dow Jones average.

**Chemical stocks have risen faster than most indexes in past year**

| | Oct. 7, 1983 | Oct. 8, 1982 | % change |
|---|---|---|---|
| Dow Jones Industrial Average | 1272.15 | 986.85 | 28.9% |
| New York Stock Exchange Composite | 98.72 | 75.00 | 31.6 |
| New York Stock Exchange Industrials | 115.04 | 85.14 | 35.1 |
| American Stock Exchange Index | 232.27 | 149.57 | 55.3 |
| Over the Counter Composite | 297.36 | 198.89 | 49.5 |
| Over the Counter Industrials | 353.47 | 226.01 | 56.4 |
| Standard & Poor's 500 | 170.80 | 131.05 | 30.3 |
| Standard & Poor's 400 Industrials | 192.36 | 146.21 | 31.6 |
| C&EN Chemical Stock Index[a] | 191 | 295 | 54.5 |

[a] C&EN Index based on stock prices for Allied Corp., American Cyanamid, Celanese, Dow Chemical, W. R. Grace, Monsanto, and Union Carbide.

In spite of some relatively dire predictions about an October correction in the stock market, recent events indicate that the climb will continue. The market seems to have gotten over much of the volatility that characterized it just a few months ago, when almost any kind of economic news caused sharp ups or downs. Now the market just ignores bad news.

Although growth in market indexes, including C&EN's, has slowed since early summer (C&EN, July 18, page 7) on an annual basis, most indexes still are going strong. The chemical index is near the top of the pack. Between Oct. 8, 1982, and Oct. 7, 1983, C&EN's index climbed 54.5% to 295 (1954 = 100).

This performance was exceeded by only two of the broader market averages—the American Stock Exchange Index and the Over the Counter Industrial Index. The American Stock Exchange Index increased 55.3% to 232.27 during the same period, and the Over the Counter Industrial Index shot up 56.4% to 353.47.

However, since early summer, chemical stocks have outperformed all the broader indexes. Security analysts have talked about a "flight to quality" over the summer to explain the rapid rise in the Dow Jones average. In the three months ending Oct. 8, the Dow Jones Industrials increased 5.4% to 1272.25 to lead all of the standard indexes. However, C&EN's chemical stock index jumped 13.9% in that time. Some stock indexes such as the Amex index and both of the OTC indexes actually have fallen in the past three months.

For instance, the American Stock Exchange Index has fallen 5.5% to its present 232.27 from the first week of July. The Over the Counter Composite has dropped 7.0% to its current 297.36 from the first part of July. And the Over the Counter Industrial index has fallen more than 10%—10.7% to be exact—since July to 353.47.

The rest of the indexes rose, but their increase was not even enough to match the DJI. The New York Stock Exchange Composite went up 1.9% to 98.72. The New York Stock Exchange Industrials rose only 1.3% to 115.04. The broad Standard & Poor's 500 index increased 2.2% to 170.80, while the Standard & Poor's 400 Industrials increased just 2.0% to 192.36.

If security analysts are correct in their standard thesis that the stock market predicts earnings about six months in advance, the runup of the chemical stock index during the summer bodes well for chemical earnings in 1984. And Wall Street does seem to be banking on high chemical profits next year. For example, Richard A. Derbes, chief chemical analyst for Oppenheimer & Co., a New York City investment firm, says that several indicators of overall economic activity "suggest an environment in which the demand for chemicals rises substantially, enabling high enough overall sales and margins to produce robust profits."

Oppenheimer thinks many chemical firms will have record gross margins in 1984. Some firms, Derbes says, are already exhibiting record results. Consequently, he adds, "we believe the profit recovery of the next year will continue to be very robust even if the economic recovery is somewhat disappointing."

How can chemical profits do so well in a tepid recovery? Because chemical firms' drastic efficiency moves of recent years allow good profitability at lower rates of plant capacity use. This realization has seeped through Wall Street analyses and is a large factor in the recent bid-up of chemical stock prices. □